

Technical Guide for Determining Income and Allowances for the HOME Program

Third Edition

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Chapter Three

Calculating Annual (Gross) Income

As discussed in Chapter One, the HOME Program gives PJs the flexibility to choose one of three definitions of annual income to determine whether households are eligible for participation in the HOME Program. The three definitions are:

1. Annual income as defined in 24 CFR Part 5 (Part 5 annual income);
2. Annual income as reported under the Census long form for the most recent decennial census; and
3. Adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes.

PJs may use different definitions of income for each of the different HOME activities it administers. For example, a PJ may decide to use the Part 5 definition of income for its rental projects and TBRA program, and use the Census long form definition within its homebuyer and owner-occupied rehabilitation programs. However, PJs must ensure that applicants to their HOME-funded programs and activities are treated equitably. For this reason, the same income definition must be used within a particular program or activity. For example, if a PJ decides to use the Part 5 definition of annual income for its homebuyer program, it must use this definition for all applicants to the homebuyer program. It may not use the Census definition for one applicant and the Part 5 definition for another applicant.

Chapter Two discussed how and when income information must be verified. This chapter provides detailed guidance about calculating annual (gross) income using each of the three allowable definitions.

Definition 1: Annual Income as Defined in 24 CFR Part 5

The annual income definition found at 24 CFR Part 5 is used by a variety of Federal programs including Section 8, public housing and the Low-Income Housing Tax Credit Program. Annual income is used to determine program eligibility and, in some programs, the level of assistance the household will receive. This definition was formerly commonly referred to as the Section 8 definition.

The Part 5 definition of annual income is the *gross amount of income of all adult household members that is anticipated to be received* during the coming 12-month period. Each of the italicized phrases in this definition is key to understanding the requirements for calculating annual income:

- **Gross amount.** For those types of income counted, gross amounts (before any deductions have been taken) are used;
- **Income of all adult household members.** The Part 5 definition of annual income contains income “inclusions” – types of income to be counted – and “exclusions” – types of income that are not considered (for example, income of minors); and
- **Anticipated to be received.** The Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. A PJ must, therefore, use a household’s expected ability to pay, rather than past earnings, when estimating housing assistance needs.

Whose Income to Count

Knowing whose income to count is as important as knowing which income to count. Under the Part 5 definition of annual income, special consideration is given to income earned by the following groups of people:

- **Minors.** Earned income of minors, including foster children (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, TANF payments and other benefits paid on behalf of a minor) is included;
- **Live-in aides.** If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of the source, is not counted. Except under unusual circumstances, a related person does not qualify as a live-in aide.
- **Persons with Disabilities.** During the annual recertification of a family's income, PJs are required to exclude from annual income certain increases in the income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance. 24 CFR 5.617(a) outlines the eligible increases in income. These exclusions from annual income are of limited duration. The full amount of increase to a qualified family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment. During the second cumulative 12-month period, the PJ is required to exclude from annual income 50 percent of any increase in income. The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.
- **Temporarily absent family members.** The income of temporarily absent family members is counted in the Part 5 definition of annual income – regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns \$600 per week. He keeps \$200 per week for expenses and sends \$400 per week home to his family. The entire amount (\$600 per week) is counted in the family's income;
- **Adult students living away from home.** If the adult student is counted as a member of the household in determining the household size (to compare against the HUD income limits), the first \$480 of the student's income must be counted in the family's income. Note, however, that the \$480 limit does not apply to a student who is the head of household or spouse (their full income must be counted); and
- **Permanently absent family members.** If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

Types of Income to Count

Exhibits 3.1 and 3.2 provide a comprehensive list of income that is included and excluded from calculations of annual income under Part 5. This list comes directly from the Federal regulations at 24 CFR 5.609. HUD updates this list when changes are made by Congress. Program administrators generally are expected to implement changes within 60 days of publication in the *Federal Register*.

In general, income exclusions fall into the following categories:

- Benefits that should not be counted as income;
- Income of certain household members that should not be counted, including earned income of minors and income attributable to foster children and live-in aides; and
- Amounts that are counted as assets rather than income, such as lump-sum lottery winnings.

Welfare Rent as Income

Welfare assistance is counted as income. Most PJs will use the actual gross amount of welfare assistance the household receives. In certain “as-paid” localities, however, a special calculation is required. In an as-paid jurisdiction, welfare assistance for housing costs is established separately from the rest of the welfare assistance and may be adjusted based on the actual cost of the family’s housing.

PJs in as-paid jurisdictions must count as income the amount of general assistance a family receives plus the maximum amount of housing assistance the family *could* receive (rather than the amount the household is actually receiving).

Sample Format for Computing Part 5 Annual Income

Exhibit 3.3 shows a sample format for computing annual income using the Part 5 annual income definition.

Exhibits 3.4 through 3.7 provide examples and exercises that demonstrate how the Part 5 annual income definition is applied to individual family circumstances. Answers to the exercises are provided in each exhibit. These exhibits do not include income from assets, which is addressed below. Examples and exercises concerning asset calculation follow that discussion.

Treatment of Assets

Some assistance programs require that families “spend down” assets before they

can participate. There is no asset limitation for participation in the HOME Program. Income from assets is, however, recognized as part of annual income under the Part 5 definition. To comply with the Part 5 rules regarding assets, PJs must know: (1) what to include as assets, (2) how to compute the market and cash value of those assets, and (3) how to determine the income from the asset to be included in annual income.

What to Include as an Asset

In general terms, an asset is a cash or non-cash item that can be converted to cash. Exhibit 3.8 summarizes items that are and are not to be considered assets. (Note: it is the income earned – e.g., interest on a savings account – not the value of the asset – that is counted in annual income.) Exhibits 3.9 through 3.11 provide examples and exercises that demonstrate how income from assets is calculated. Market Value and Cash Value Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. For example, the market value of a share of stock is the price quoted on the stock exchange on a particular day. A property’s market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.

An asset’s cash value is the market value less reasonable expenses required to convert the asset to cash, including:

- **Penalties or fees for converting financial holdings.** Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds to cash or broker fees for converting stocks to cash); and/or
- **Costs for selling real property.** Settlement costs, real estate transaction fees, payment of mortgages/liens

against the property and any legal fees associated with the sale of real property are deducted from the market value to determine equity in real estate.

Under the rules of Part 5, only the cash value (rather than the market value) of an item is counted as an asset. If more than one person owns an asset, PJs must prorate the asset according to the applicant's percentage of ownership. If no percentage is specified or provided by state or local law, PJs must prorate the asset evenly among all owners. If an asset is not effectively owned by an individual, it is not counted as an asset.

Actual Income from Assets

Assets can generate income, and for the purpose of determining an applicant's income, the actual income generated by the asset (e.g., interest on a savings or checking account) is what counts, not the value of the asset. The income is counted, even if the household elects not to receive it. For example, if an applicant elects to reinvest the interest or dividends from an asset, it is still counted as income.

As with other types of income, the income included in annual income calculation is the income that is anticipated to be received from the asset during the coming 12 months. Several methods may be used to approximate the anticipated income from the asset. For example, to obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account. Alternatively, if the value of the account is not anticipated to change in the near future and the interest rate has been stable, a copy of the IRS 1099 form showing past interest earned can be used.

Many PJs are surprised to learn that checking account balances (as well as savings account balances) are considered an asset. This rule is not intended to count monthly income as an asset, but rather, is recognition that some households keep

assets in their checking accounts. To avoid counting monthly income as an asset, PJs should use the average monthly balance over a six-month period as the cash value of the checking account.

Two Unique Rules

For most assets, calculating cash value and the income from the assets is straightforward. Special rules have, however, been established to address two circumstances – situations in which the assets produce little or no income, and assets that are disposed of for less than fair market value.

When an Asset Produces Little or No Income

This rule assumes that a household with assets has an increased payment ability, even if its assets do not currently produce income. (For example, a household that owns land that is not rented or otherwise used to produce income.) Rather than require the household to dispose of the property, the rule requires that an "imputed" income be calculated based on a Passbook Rate that is applied to the cash value of all assets.

This rule only applies if the total cash value of **all** assets is more than \$5,000. The following examples illustrate how imputed income from assets calculation is applied.

Example 1: The Cayhill family has \$6,000 (average balance over six months) in a non-interest-bearing checking account. The PJ would include in annual income an amount based on the current Passbook Rate. The calculation would be: $\$6,000 \times .02 = \120 .

Example 2: The Shaw family has \$3,000 (average balance over six months) in a non-interest-bearing checking account and \$5,500 in an interest-bearing savings account. The family reports and the PJ verifies \$150 interest on the savings account. The PJ would count the greater of the actual income from assets or the imputed income based on the Passbook Rate, as shown below:

Imputed income (\$8,500 x .02) =	\$170
Actual income	\$150
Included in annual income	\$170

Note: Currently, each Field Office establishes the passbook savings rate to be used by the PHAs within its jurisdiction. A Field Office determines the rate based on the average interest rate received on passbook savings accounts at several banks in the local area (24 CFR 5.609 and Form HUD-50058 Family Report Instruction Booklet,⁸ p. 22). Although the new Public Housing Occupancy Guidebook,⁹ page 122, footnote 35, states that "Consistent with the Multi-family Housing Program, PHAs will use a standard 2% passbook rate," the current method described above will remain in effect until superceded by PIH Notice. Check with your state or regional HUD Field Office for the applicable Passbook Rate for your community.

Example 3: The Smiths have \$600 (average balance over six months) in a non-interest-bearing checking account. No income from assets would be counted because the family has no actual income from assets and the total amount of all assets is less than \$5,000.

When Assets are Disposed of at Less than Fair Market Value

Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length transaction") have, in essence, voluntarily reduced their ability to afford housing. The Part 5 rules require, therefore, that any asset disposed of for less than fair market value during the two years preceding the income determination be counted as if the household still owned the asset.

The amount to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset. Consider the following examples.

Example 1: Mr. Jones cashed in stock to give a granddaughter funds for college in August 2004. The stock had a market value of \$4,500 and a broker fee of \$500 was charged for the transaction.

Market value	\$4,500
Less broker's fee	<u>500</u>
Cash value to be considered	\$4,000

The \$4,000 in assets would be counted for any income determination conducted until August 2006 (looking forward two years from the time of disposal).

If Mr. Jones has no other assets, no income from assets would be included in annual income because the cash value of the asset is less than \$5,000. If other assets brought total assets to more than \$5,000, however, the imputed income calculation described previously would be required.

Example 2: Mrs. Dutch "sold" a piece of property to a family member for \$30,000 on July 1, 2004. The home was valued at \$75,000 and had no loans against it.

Market value	\$75,000
Less settlement costs	3,000
Less sales price	<u>30,000</u>
Cash value to be considered	\$42,000

The \$42,000 would be counted as an asset for any income determination conducted until July 1, 2006.

The \$42,000 would be combined with the cash value of other assets (if any), and an imputed income calculation would be required.

Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure or bankruptcy are not included in this calculation. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be less than fair market value if the applicant receives (or received) important consideration not measurable in dollar terms.

Definition 2: Census Long Form Annual Income

Every ten years, the U.S. Bureau of the Census conducts a complete enumeration of all residents in the United States. This process involves gathering extensive information about people and where they live through the use of a detailed questionnaire, referred to as the Long Form. An entire section of the Long Form includes questions concerning household income. PJs may choose to use this definition of “annual income” when determining the eligibility of applicants to its HOME programs.

Types of Income to be Counted

Exhibit 3.12 lists what is and is not included in the annual income definition as set forth in the Long Form used in the 2000 census.

The list of income inclusions for the Census Long Form definition is very similar to the list of income inclusions under the Part 5 definition of annual income. However, Part 5 includes the income of minors and adults over the age of 18 whereas the Census Long Form definition includes the income of minors and adults over the age of 15.

Treatment of Assets

The primary difference between the Part 5 and Census Long Form definitions of annual income is in the treatment of assets. The asset calculation required when using the Part 5 definition is not necessary for the Long Form calculation of annual income. This is not to say that income from certain kinds of assets is not included in the Census Long Form definition of income. While the asset calculation is unique to the Part 5 definition, income generated by assets is still considered when calculating income under the Census (and IRS) definition of income.

As shown in Exhibit 3.12, the following types of income from assets are included in the Census Long Form definition of annual income:

- Interest;

- Dividends;
- Profit from royalties or real estate; and
- Income from payments from an estate or trust fund.

Income from some types of assets, however, is not included in the income calculation. Examples include:

- Withdrawals of savings;
- Capital gains (or losses) from the sale of homes, stock, and other property;
- Insurance settlements; and
- Assets disposed of for less than fair market value within two years prior to the income determination.

The treatment of assets is an important distinction PJs must consider when determining which definition of annual income to use.

Sample Format for Computing Census Long Form Annual Income

Exhibit 3.13 is a sample format for calculating annual income based on the Census Long Form definition. It is very similar to the sample format for Part 5 annual income except that the asset calculation information is not included.

Exhibit 3.14 provides an example of the Census Long Form annual income calculation.

Definition 3: IRS Form 1040 Adjusted Gross Income

Citizens of the United States and resident aliens, except those with gross incomes below a certain level, are required to file an income tax return with the Department of the Treasury's Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The definition of adjusted gross income for the HOME Program is based on this form, also commonly referred to as “the long form.” The definition set forth in the short form, known as the 1040EZ (known as “the short form”), may not be used to determine applicant eligibility.

IRS Form 1040 requires reporting of certain kinds of income, as the Part 5 and Census Long Form definitions of income discussed in this guide require, which are added together to constitute what is referred to as gross income. However, unlike the other two definitions of income, another step is required. From the gross income figure, certain deductions are taken to arrive at an adjusted gross income number. This is the figure that is used to determine an applicant's eligibility for participation in the HOME Program.

The term "adjusted gross income" as used when referring to the IRS Form 1040 definition of income should not be confused with adjusted income, which is calculated in accordance with the regulations at 24 CFR Part 5 and used to determine subsidy and payment levels. (Refer to Chapter 4).

Note: The HOME and CDBG Programs use the IRS definition of annual income in different ways:

- CDBG does not require use of the long form.
- CDBG allows tax returns as proof of income.
- Documentation for CDBG income qualification can be up to 12 months old.

Calculating Adjusted Gross Income

PJs must determine if an applicant household has any of the types of income included in the Form 1040 definition of income and what amount, if any, must be included when calculating gross income.

Exhibit 3.15 lists the types of income that are to be included in the calculation.

Once the gross income figure is obtained, applicable deductions must be subtracted to arrive at the household's adjusted gross income. The deductions are:

- IRA deductions,
- Medical savings account deductions,
- Moving expenses,

- One-half of self-employment taxes,
- Self-employed health insurance deductions,
- KEOGH and self-employed SEP and SIMPLE plans,
- Penalties on early withdrawal of savings, and
- Paid alimony.

To determine if a household may take any of these deductions and in what amount, the IRS Form 1040 instructions should be followed.

If the household has a Form 1040 that was submitted to the IRS for income tax purposes and the form is less than six months old, PJs may use the form to determine eligibility. Using the actual tax return has several implications. First, PJs must ensure that IRS Form 4506 "Request for Copy of Tax Form" is completed and signed. Secondly, PJs are required to determine if any of the circumstances as reported on the form have changed or will change in the upcoming 12 months and to make such adjustments. For example, if the applicant received a raise at his/her job since the tax return was submitted, the applicant's current income should be used to determine eligibility. Finally, PJs must ensure that everyone in the household is represented through the use of the tax return. For example, if a husband and wife file a joint return, but their adult son that resides with them files a separate return, the tax return of the husband and wife would not be sufficient for determining income.

Treatment of Assets

The primary difference between the Part 5 and IRS Form 1040 definitions of annual income is treatment of assets. The asset calculation required when using the Part 5 definition is not necessary for the IRS Form 1040 calculation of adjusted gross income. This is not to say that income from certain kinds of assets is not included in the IRS Form 1040 definition of income. While the asset calculation is unique to the Part 5

definition, income from certain assets must still be carefully considered when calculating income under the IRS (and Census) definition of annual income.

As shown in Exhibit 3.15, the following types of income from assets are included in the IRS Form 1040 definition of annual income:

- Taxable Interest;
- Dividends;
- Prizes, awards; and
- Gambling, lottery or raffle winnings.

Some types of assets, however, are not included in the income calculation. Examples include life insurance proceeds and inherited money or property.

The treatment of assets is an important distinction PJs must consider when determining which definition of annual income to use.

Sample Format for Computing IRS Form 1040 Adjusted Gross Income

Exhibit 3.16 is a sample format for computing IRS Form 1040 adjusted gross income. Exhibit 3.17 provides an example of how to calculate income using the IRS definition.

Comparison of the Three Definitions of Annual Income

As the exhibits on the following pages demonstrate, the definition of annual income that a PJ selects can affect the eligibility of certain households, depending on their particular financial circumstances. When deciding which definition(s) to use, the PJ may want to consider how it will use each definition, staff familiarity with any of the definitions, the types of income inclusions and exclusions for each definition, and the calculation of assets.

Using the Definitions

PJs must select one of the three definitions of income for each of their HOME-funded activities and apply that definition to all program applicants of each activity. For example, a PJ can choose to use the Part 5 definition of annual income for its homeownership program. If it does, it must apply this definition to all applicants to that program. It may not use the IRS Form 1040 definition of adjusted gross income for one household just because they do not qualify using the Part 5 definition of annual income. The PJ may, however, choose to use the IRS Form 1040 definition for all applicants to its homeowner rehabilitation program.

Familiarity and Consistency

While the HUD definition of income found in 24 CFR Part 5 may appear cumbersome on the surface, it has been used for many years in various HUD programs like Section 8 and public housing. Early on in the HOME Program, it was the only definition of annual income PJs were permitted to use. In addition, the HUD Part 5 definition of income is used in the Low Income Housing Tax Credit Program. This program is often used in combination with HOME Program funding in rental housing projects.

For these reasons, most PJs have experience with this definition, and many have developed administrative procedures and forms based on these rules and requirements. This existing expertise should be considered when making a decision about which definition to use.

Asset Calculation

The Part 5 definition of annual income requires the special computations concerning assets. The Census Long Form and IRS Form 1040 definitions do not require such calculations; however, income from certain kinds of assets may be included under these definitions.

Income Inclusions and Exclusions

There are some differences between the three definitions of income that can result in different income calculations. Some of the differences are illustrated in the following case studies (Exhibits 3.18 and 3.19). The three most significant differences between the three definitions are:

1. Child support payments are not included in the IRS Form 1040 definition of income.
2. The IRS Form 1040 definition allows the deduction of alimony payments.
3. Inheritances and insurance settlements are included in the Part 5 asset calculation, but not included in the Census or IRS definitions of income.

Exhibit 3.1 – 24 CFR Part 5 Annual Income Inclusions

<p>1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.</p> <p>2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.</p> <p>3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.</p> <p>4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in Exhibit 3.2, number 14).</p>	<p>5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, as listed in Exhibit 3.2, number 3).</p> <p>6. Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:</p> <ul style="list-style-type: none">• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c). <p>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:</p> <ul style="list-style-type: none">• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage. <p>7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.</p> <p>8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions).</p>
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Exhibit 3.2 – 24 CFR Part 5 Annual Income Exclusions

<ol style="list-style-type: none"> 1. Income from employment of children (including foster children) under the age of 18 years. 2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone). 3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in Exhibit 3.1, number 5 of Income Inclusions). 4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member. 5. Income of a live-in aide (as defined in 24 CFR 5.403). 6. Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671(a)). 7. The full amount of student financial assistance paid directly to the student or to the educational institution. 8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire. 9. (a) Amounts received under training programs funded by HUD. (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS). (c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program. (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn 	<p>maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.</p> <p>(e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.</p> <ol style="list-style-type: none"> 10. Temporary, nonrecurring, or sporadic income (including gifts). 11. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. 12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household or spouse). 13. Adoption assistance payments in excess of \$480 per adopted child. 14. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts. 15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit. 16. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home. 17. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion.
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<p>Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:</p> <ul style="list-style-type: none">• The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;• Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);• Payments received under the Alaskan Native Claims Settlement Act;• Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;• Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;• Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;• Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);• The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;• Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;• Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);	<ul style="list-style-type: none">• Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the <u>In Re Agent Orange</u> product liability litigation, M.D.L. No. 381 (E.D.N.Y.);• Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;• The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;• Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps);• Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;• Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;• Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;• Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and• Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.
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Last Modified: January 2005

Exhibit 3.3 – Sample Format for Computing Part 5 Annual Income

1. Name:		2. Identification No.:			
ASSETS					
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets		
3. Net Cash Value of Assets.....		3.			
4. Total Actual Income from Assets.....			4.		
5. If line 3 is greater than \$5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.			5.		
ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/Salaries	b. Benefits/Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7.

X
Signature _____

For Office Use Only

\$ _____ Income Limit
\$ _____ Income Limit of Household

Exhibit 3.4 – Calculating Part 5 Annual Income – Example

Family Members	Position in Family	Age	Income Sources
George Jefferson	Head	53	Works full-time at \$7.25/hour; also receives \$400/month from the government as a result of a settlement in the Agent Orange product liability litigation.
Eloise Jefferson	Spouse	48	Works 18 hours/week at a bank at \$7.50/hour; also receives \$50/month from her mother to help with expenses.
Lionel Jefferson	Son	19	Full-time student at City College where he has a part-time, 15-hour/week job in the student bookstore at \$6.00/hour for the 46 weeks when classes are in session.

Under the HOME Program, the Income Limit for a family of three in the jurisdiction is \$23,900. Are the Jefferson's eligible for HOME assistance? Assume for this example that the Jefferson's have no assets.

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
George	\$15,080				Enter the greater of lines 4 or 5 from above in e.
Eloise	\$7,020			\$600	
Lionel	\$480				
6. Totals	a. \$22,580	b.	c.	d. \$600	e. N/A
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7. \$23,180

This family is eligible for assistance because its total income of \$23,180 is below the Low-Income Limit.

Explanation

- George** George's earning from work count as income, but his income from the Agent Orange Settlement Fund (\$4,800/year) does not. Thus, George's income is \$7.25/hour x 40 hours/week x 52 weeks/year, or \$15,080.
- Eloise** Eloise's income from wages of \$7.50/hour x 18 hours/week x 52 weeks, or \$7,020. In addition, her regular gift income of \$50/month or \$600/year counts as income. (The gift income is counted as "other income.")
- Lionel** Because Lionel is a full-time student and is not the head of household or spouse, only the first \$480 of his earnings count toward the family income.

Chapter Three – Calculating Annual (Gross) Income

Exhibit 3.5 – Calculating Part 5 Annual Income – Exercise

Family Members	Position in Family	Age	Income Sources
Blanche Deverou	Head	55	Works 6 hours/night, 4 nights/week at \$5.00/hour as a waitress; also earns an average of \$55/night in tips.
Rose Nylen	Friend	58	Earns \$6.50/hour as a full-time aide in a hospital; employer reports that her wages will increase to \$6.75/hour, 7 weeks from the effective date of this calculation.
Dorothy Spornac	Friend	61	Earns \$60/day as a substitute teacher, and works an average of 3 days/week for the 40 weeks school is in session (she made \$7,200 last year); also receives \$40/month in Food Stamps.
Under the HOME Program, the Income Limit for a household of three is \$38,500. Assuming that these are the only sources of income, does the household qualify for assistance?			

Complete the following table to calculate annual income (as defined in 24 CFR Part 5) for the household. Answers are found on the following page.

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Blanche					Enter the greater of lines 4 or 5 from above in e.
Rose					
Dorothy					
6. Totals	a.	b.	c.	d.	e. N/A
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7.

Exhibit 3.5 – Calculating Part 5 Annual Income – Exercise (continued)

ANSWERS

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/Salaries	b. Benefits/Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Blanche	\$17,680				Enter the greater of lines 4 or 5 from above in e.
Rose	\$13,980				
Dorothy	\$7,200				
6. Totals	a. \$38,860	b.	c.	d.	e. N/A
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7. \$38,860

The household is not eligible for assistance. Its income exceeds the Low-Income Limit by \$360.

Explanation

Blanche Blanche's income must include both wages and tips. (The tips are included as wage/salary income.) Her wage income is \$6,240 annually (\$5.00/hour x 6 hours/night x 4 nights/week x 52 weeks/year) and her tip income is \$11,440 annually (\$55/night x 4 nights/week x 52 weeks/year).

Rose Rose's wage income must be calculated in two steps. For the first 6 weeks of the year, she earns \$6.50/hour. Her income at this wage is \$6.50/hour x 40 hours/week x 6 weeks = \$1,560. For the next 46 weeks, her wage will be \$6.75/hour. Her income at this wage is \$6.75/hour x 40 hours/week x 46 weeks = \$12,420.

Dorothy Dorothy made \$7,200 last year, and there is no reason to expect that she will work more or less often in the coming year. Her income is, therefore, estimated at \$7,200. Per the Income Exclusions (see Exhibit 3.2), the income she receives from Food Stamps is excluded from this calculation.

Exhibit 3.6 – Calculating Part 5 Annual Income – Example

Family Members	Position in Family	Age	Income Sources
Murphy Brown	Head	38	Earns \$550 semi-monthly as a manager in the housewares department of the local Kmart, and receives \$100/month in child support.
Eldon Bernakey	Boyfriend	36	Earns \$250/week as a part-time painting instructor at the local school for the 40 weeks/year when school is in session; attends evening classes at the Art Institute, which he pays with a State Student Incentive Grant of \$3,500; and pays \$50/month in child support for his twins – when he can.
Avery Brown	Son	3	No income.
Under the HOME Program, the Income Limit for a family of three in the jurisdiction is \$25,700. Is this household eligible for HOME assistance?			

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/Salaries	b. Benefits/Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Murphy	\$13,200			\$1,200	Enter the greater of lines 4 or 5 from above in e.
Eldon	\$10,000				
6. Totals	a. \$23,200	b.	c.	d. \$1,200	e. N/A
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7. \$24,400

This family is eligible for assistance. Its total income is \$24,400, which is below the Low- Income Limit.

Explanation

- Murphy Murphy's annual wage income is \$550 semi-monthly x 24 periods/year, or \$13,200. In addition, she receives \$100/month x 12 months = \$1,200/year. This is other income.
- Eldon Eldon's wage income is based on 40 weeks of work: \$250/week x 40 weeks/year, or \$10,000 annually. His scholarship does not count as income. The child support Eldon pays cannot be deducted from his income.

Chapter Three – Calculating Annual (Gross) Income

Exhibit 3.7 – Calculating Part 5 Annual Income – Exercise

Family Members	Position in Family	Age	Income Sources
Ricky Ricardo	Head	80	Receives gross Social Security in the amount of \$625/month; receives a pension from the local musicians' union in the amount of \$25 every quarter (3 months).
Lucy Ricardo	Spouse	79	Receives gross Social Security in the amount of \$120/month; grossed \$4,200 for giving voice lessons last year, but paid business expenses of \$1,250 from this income for equipment and sound proofing.
Ricky Ricardo II	Child	45	Earns \$330/week as an interpreter for a local nonprofit organization.
If the Low-Income Limit for a household of three is \$30,000 and the Ricardo's have no other source of income, do they qualify for assistance?			

Complete the following table to calculate annual income (as defined in 24 CFR Part 5) for the household. Answers are found on the following page.

ANTICIPATED ANNUAL INCOME					
				d. Other Income	e. Asset Income
Ricky					Enter the greater of lines 4 or 5 from above in e.
Lucy					
Ricky II					
6. Totals	a.	b.	c.	d.	e. N/A
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7.

Exhibit 3.7 – Calculating Part 5 Annual Income – Exercise (continued)

ANSWERS

ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Ricky		\$7,600			Enter the greater of lines 4 or 5 from above in e.
Lucy		\$1,440		\$2,950	
Ricky II	\$17,160				
6. Totals	a. \$17,160	b. \$9,040	c.	d. \$2,950	e. N/A
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i>					7. \$29,150

The household is eligible for assistance.

Explanation

- Ricky Ricky's entire income is comprised of pensions and benefits. It equals \$625/month x 12 months/year (\$7,500) plus \$25/quarter x 4 quarters/year (\$100), or \$7,600.
- Lucy Lucy's benefits income is \$120/month x 12 months/year, or \$1,440. Her net income from her business was \$4,200 - \$1,250, or \$2,950. (Her equipment and soundproofing expense is an allowable deduction because the business funds were reinvested in the business and did not represent expansion. Refer to Exhibit 3.1)
- Ricky II Ricky II's income is wage income. The calculation is \$330/week x 52 weeks/year = \$17,160.

Exhibit 3.8 – Part 5 Annual Income Net Family Asset Inclusions and Exclusions

Inclusions	Exclusions
<ol style="list-style-type: none">1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.2. Cash value of revocable trusts available to the applicant.3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.4. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty).6. Retirement and pension funds.7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.10. Mortgages or deeds of trust held by an applicant.	<ol style="list-style-type: none">1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.2. Interest in Indian trust lands.3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.4. Equity in cooperatives in which the family lives.5. Assets not accessible to and that provide no income for the applicant.6. Term life insurance policies (i.e., where there is no cash value).7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

Last Modified: January 2005

Exhibit 3.9 – Calculating Asset Income Under Part 5 – Example

Family Members	Assets	Asset Value
Juan Herrera	Checking account	\$870 average 6-month balance with an interest rate of 2.7%.
	Inheritance	Received an inheritance of \$30,000 that he used to buy a new car for \$12,000; pay off his \$3,000 credit card bill; and open a mutual fund account (which has no associated account costs) to invest the remaining \$15,000 at an annual interest rate of 5.3%.
The HUD Passbook Rate is 2%.		

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Juan Herrera	Checking account	\$870	\$23
Same	Mutual fund	\$15,000	\$795
3. Net Cash Value of Assets		3. \$15,870	
4. Total Actual Income from Assets			4. \$818
5. If line 3 is greater than \$5,000, multiply line by 2% (Passbook Rate) and enter results here; otherwise, leave blank.			5. \$317

The asset income to be used in the annual income calculation is \$818 since the actual income generated by the assets is greater than the imputed income.

Explanation

- Checking account The income from the checking account is calculated based on the 6-month balance and the interest rate ($\$870 \times .027 = \23).
- Inheritance A car owned for personal use is not considered an asset. However, the mutual fund is an asset. $\$15,000 \times .053 = \795 .

Because the total cash value of the assets exceeds \$5,000, the HUD Passbook Rate must be used to calculate the imputed income from all assets combined. In this case, $\$15,870 \times .02 = \317 . The actual income earned (\$818) is greater, however, so that amount must be used in the calculation of annual income for this family.

Chapter Three – Calculating Annual (Gross) Income

Exhibit 3.10 – Calculating Asset Income (under Part 5) – Exercise

Family Members	Position in Family	Age	Family Assets	Asset Value
Archie Bunker	Head	72	Checking account	\$595 average 6-month balance in a non-interest-bearing account.
Edith Bunker	Spouse	73	Savings account	\$2,695 at 3.1%
HUD Passbook rate is 2%.				

Calculate the Bunkers' asset income by completing the following chart. Answers are provided below.

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3.	Net Cash Value of Assets.....	3.	
4.	Total Actual Income from Assets.....		4.
5.	If line 3 is greater than \$5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.		5.

Asset Income to be used in annual income calculation: \$ _____

ANSWERS

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Archie Bunker	Checking Account	\$595	\$0
Edith Bunker	Savings Account	\$2,695	\$84
3.	Net Cash Value of Assets.....	3. \$3,290	
4.	Total Actual Income from Assets.....		4. \$84
5.	If line 3 is greater than \$5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.		5. \$0

The Bunkers' income from assets is \$84.

Explanation

Use the actual income in this case, because the cash value of the Bunker's total assets is less than \$5,000. The imputed income is only calculated for assets when the total cash value of all assets exceeds \$5,000.

Exhibit 3.11 – Calculating Asset Income Under Part 5 – Exercise

Family Members	Position in Family	Age	Family Assets	Asset Value
Fred Mertz	Head	85	Rental property	Small rental property that grosses \$6,500/year (expenses to keep up the property are \$3,400/year). The property has a fair market value of \$69,000, but they have a mortgage on the property in the amount of \$35,000. The average closing cost in a real estate transaction is 8% in the area.
Ethel Mertz	Spouse	81	Savings account	Savings of \$5,000 that earned \$179 in interest during the past year.
			Stock	100 shares of stock in "Why Buy it, Inc.," with a face value of \$4.25 per share, that have not shown a dividend in years. The cost to sell the stock would be about \$76.
HUD Passbook rate is 2%.				

Calculate the Mertz's asset income by completing the following chart. Answers are provided on the following page.

ASSETS			
		Current Cash Value of Assets	Actual Income from Assets
3.	Net Cash Value of Assets.....	3.	
4.	Total Actual Income from Assets.....		4.
5.	If line 3 is greater than \$5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.		5.

Asset Income to be used in annual income calculation: \$ _____

Exhibit 3.11 – Calculating Asset Income – Exercise (continued)

ANSWERS

ASSETS			
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Fred Mertz	Rental Property	\$28,480	\$3,100
Ethel Mertz	Savings Account	\$5,000	\$179
Same	Stock	\$349	
3. Net Cash Value of Assets.....		3. 33,829	
4. Total Actual Income from Assets.....		4. \$3,279	
5. If line 3 is greater than \$5,000, multiply line by <u>2%</u> (Passbook Rate) and enter results here; otherwise, leave blank.		5. \$677	

The asset income to be used in the annual income calculation is \$3,279, since the actual income from assets is greater than the imputed income.

Explanation

Apartment Building The cash value of the property is:

Market value	\$69,000
Less mortgage	35,000
Less sales costs (\$69,000 X .08)	<u>5,520</u>
Cash value	\$28,480

The income earned is the net income (\$6,500 – \$3,400) of \$3,100.

Savings Account The information is provided.

Stock The cash value of the stock is the sales proceeds (100 shares x \$4.25/share = \$425) less the cost to sell (\$76). It generates no dividend income.

Because the total cash value of the assets exceeds \$5,000, calculate the imputed income by multiplying the cash value by the HUD Passbook Rate (\$33,829 x .02 = \$677). This is less than the actual income earned of \$3,279.

Exhibit 3.12 – Census Long Form Annual Income Inclusions and Exclusions

Inclusions	Exclusions
<ol style="list-style-type: none"> 1. Wages, salary, commissions, bonuses and tips from all jobs before deductions for taxes, bonds, dues, or other items. (For minors over the age of 15 and adults.) 2. Self-employment net income (after business expenses) from own non-farm business or farm business, including proprietorship and partnership. 3. Any of the following: <ul style="list-style-type: none"> • Interest received or credited to checking and savings accounts, money market funds, certificates of deposit, mutual funds, individual retirement accounts (IRAs), 401(K) plans, KEOGH retirement plans, and government bonds. • Dividends received, credited, or reinvested from ownership of stocks or mutual funds. • Profit (or loss) from royalties or rental of land, buildings or real estate, or roomers or boarders. (Income received from self-employed persons whose primary source of income is renting properties or from royalties should be included in number 2, above.) • Income from regular payments from an estate and or trust fund. 4. Social security or railroad retirement (before Medicare deductions). 5. Supplemental Security Income (SSI). 6. Any public assistance or welfare payments from the state or local welfare office. 7. Retirement, survivor, or disability pensions from companies and unions; Federal, state and local governments; and the U.S. military. Includes regular income from annuities, IRAs, 401(K)s, or KEOGH retirement plans. 8. Other sources of income received regularly, including Veterans Administration (VA) payments, unemployment compensation, child support or alimony, and all other regular payments (e.g., Armed Forces transfer payments, assistance from private charities, and regular contributions from persons not living in the household). 	<ol style="list-style-type: none"> 1. In-kind pay such as food, free rent, etc. 2. Profit (or loss) of incorporated businesses owned by the applicant. 3. Profit (or loss) of incorporated farm businesses owned by the applicant and amounts from land rented for cash. 4. Any of the following: <ul style="list-style-type: none"> • Refunds or rebates of any kind. • Withdrawals from savings of any kind. • Capital gains (or losses) from the sale of homes, shares of stock, etc. • Inheritances or insurance settlements. • Any type of loan. 5. Assistance to pay for heating or cooling costs.

Last Modified: January 2005

Exhibit 3.13 – Sample Format for Computing Census Long Form Annual Income						
Name:				Identification No.:		
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
1. Totals	a.	b.	c.	d.	e.	f.
2. Enter total of items from 1a. through 1f. This is Annual Income.....						2.

Chapter Three – Calculating Annual (Gross) Income

Exhibit 3.14 – Calculating Census Long Form Annual Income – Example

Family Members	Position in Family	Age	Income Sources
Adrian Marshall	Head	43	Earns \$400/week as an airline employee.
Penny Marshall	Spouse	42	Earns \$16,000/year as an administrative assistant with an insurance company.
Shirley Marshall	Child	19	Earns \$7.00/hour working in a retail store at the mall. Works an average of 24 hours/week. Full-time student at the local community college.

Their Assets

The Marshall's non-interest-bearing checking account has an average 6-month balance of \$700.

Penny Marshall has a savings account with a \$2,500 balance. The account earned interest of \$72 last year.

The Marshall's recently received an insurance settlement of \$20,000.

If the Low-Income Limit for a household of three is \$40,500, do the Marshall's qualify for assistance?

Name: Adrian and Penny Marshall				Identification No.:		
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
Adrian	\$20,800					
Penny	\$16,000		\$72			
Shirley	\$ 8,736					
1. Totals	a. \$45,536	b.	c. \$72	d.	e.	f.
2. Enter total of items from 1a. through 1f. This is Annual Income						2. \$45,608

The Marshall's are not eligible for assistance because their income of \$45,608 is above the low -income limit of \$40,500.

Explanation

Adrian Adrian's income is \$400/week x 52 weeks/year, or \$20,800.

Penny Penny's income is \$16,000/year and she received \$72 in interest on the savings account.

Shirley Shirley earns \$7.00/hour x 24 hours/week x 52 weeks/year, or \$8,736. Note: Even though Shirley is a full-time student, her full income is included in the Census Long Form definition of income.

The insurance settlement is excluded under the Census Long Form definition of annual income. The checking account is not included because it earns no interest.

Exhibit 3.15 – IRS From 1040 Adjusted Gross Income Inclusions and Exclusions

Inclusions	Exclusions
<ol style="list-style-type: none">1. Wages, salaries, tips, etc.2. Taxable interest.3. Dividends.4. Taxable refunds, credits or offsets of state and local income taxes. There are some exceptions – refer to Form 1040 instructions.5. Alimony (or separate maintenance payments) received.6. Business income (or loss).7. Capital gain (or loss). There are some exceptions – refer to Form 1040 instructions.8. Other gains (or losses) (i.e., assets used in a trade or business that were exchanged or sold).9. Taxable amount of individual retirement account (IRA) distributions. (Includes simplified employee pension [SEP] and savings incentive match plan for employees [SIMPLE] IRA.)10. Taxable amount of pension and annuity payments.11. Rental real estate, royalties, partnerships, S corporations, trusts, etc.12. Farm income (or loss).13. Unemployment compensation payments.14. Taxable amount of Social Security benefits.15. Other income, including prizes and awards; gambling, lottery or raffle winnings; jury duty fees; Alaska Permanent fund dividends; reimbursements for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; and income from an activity not engaged in for profit.	<ol style="list-style-type: none">1. Child support.2. Money or property that was inherited, willed or given as a gift.3. Life insurance proceeds received as a result of someone's death.

Last Modified: January 2005

Exhibit 3.16¹ – Sample Format for Computing IRS 1040 Series Adjusted Gross Income

Name:		Identification No.:			
	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	
1. Wages, salaries, tips					
2. Taxable interest					
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received					
6. Business income (or loss)					
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities					
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits					
15. Other income					
16. Subtotal (lines 1-15)					
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self- employment tax					
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony					
25. Subtotal (lines 17-24)					
26. Subtract line 25 from line 16. This is <i>Adjusted Gross Income</i>					

¹ Note to users: The income inclusions and exclusions allowed under the IRS 1040 definition of income are subject to change from tax year to tax year. This worksheet is a general representation of the IRS Form 1040, and as such cannot reflect all updated inclusions and exclusions each tax year. The user is advised to consult the IRS Web site for the most current version of this form at www.irs.gov.

Exhibit 3.17 – Calculating IRS Long Form Annual (Gross) Income – Example

Family Members	Position in Family	Age	Income Sources
Bernard Williams	Head	35	Bernard owns a contracting business. The net income from the business is \$32,000.
Amy Moynihan	Girlfriend	32	Amy receives alimony of \$200/month and child support of \$350/month for her two sons.
Gary Moynihan	Son	10	None
Charles Moynihan	Son	7	None

Their Assets

Bernard's checking account has an average six month balance of \$1,725. He earned interest of \$100 last year.

Amy has a savings account with a \$500 balance. This account earned \$17 in interest last year.

Under the HOME Program, the Income Limit for a household of 4 is \$42,000. Does the household qualify for assistance?

Name: Bernard Williams and Amy Moynihan		Identification No.:			
	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	
1. Wages, salaries, tips					
2. Taxable interest	\$100	\$17			\$117
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received		\$2,400			\$2,400
6. Business income (or loss)	\$32,000				\$32,000
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities					
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits					
15. Other income					
16. Subtotal (lines 1-15)					\$34,517
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self- employment tax					

Chapter Three – Calculating Annual (Gross) Income

	Family Member				Subtotal (add a-d)
	a.	b.	c.	d.	e.
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony					
25. Subtotal (lines 17-24)					\$34,517
26. Subtract line 25 from line 16. This is <i>Adjusted Gross Income</i>					\$34,517

The household is eligible for HOME assistance. Their annual income of \$34,517 is less than the Low-Income Limit of \$42,000.

Explanation

- Bernard Bernard's business income of \$32,000 is included. Interest income of \$100 is included as interest.
- Amy Alimony of \$200/month x 12 = \$2,400 is included. The child support is not included as income under the IRS definition of adjusted gross income. The \$17 in interest income is included as income.

Exhibit 3.18 – Calculating Annual Income Using the Three Allowable Definitions – Example

Family Members	Position in Family	Age	Income Sources
Daniel Ming	Head	39	Daniel Ming works full-time at a local manufacturing plant at a rate of \$11.00/hour.
Anabel Ming	Spouse	37	Anabel Ming operates an in-home day care business for a small number of neighborhood children. Her net income from this business is \$12,000 per year.
Marsha Ming	Daughter	13	None

Assets

- The Mings' non-interest-bearing checking account has a \$950 average 6-month balance.
- The Mings have a savings account with a current balance of \$5,000. The account carries an annual interest rate of 3%.
- The Mings also have certificates of deposit totaling \$5,000. The applicable interest rate is 5%.
- The Mings plan to use the savings account and redeem the certificates of deposit in order to pay the downpayment on the home they purchase.

Additional Information

- Daniel Ming pays \$200 per month in alimony to his ex-wife.

Under the HOME Program, the Income Limit for a family of three in the jurisdiction is \$34,500. Are the Mings eligible for HOME assistance under each of three definitions of income?

The following pages show the income calculations for the Mings using each of the three allowable definitions of income.

Sample Format for Computing Part 5 Annual Income

1. Name: Daniel and Anabel Ming		2. Identification			
ASSETS					
Family Member	Asset Description	Current Cash Value of Assets		Actual Income from Assets	
Daniel & Anabel	Checking account	\$950		\$0	
Daniel & Anabel	Savings	\$5,000		\$150	
Daniel & Anabel	Certificates of deposit	\$5,000		\$250	
3. Net Cash Value of Assets.....		3. \$10,950			
4. Total Actual Income from Assets.....				4. \$400	
5. If line 3 is greater than \$5,000, multiply line by .02 (Passbook Rate) and enter results here; otherwise, leave blank.				5. \$219	
ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/Salaries	b. Benefits/Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Daniel	\$22,880				Enter the greater of lines 4 or 5 from above in e.
Anabel				\$12,000	
6. Totals	a. \$22,880	b.	c.	d. \$12,000	e. \$400
7. Enter total of items from 6a. through 6e. This is Annual Income					7. \$35,280

Chapter Three – Calculating Annual (Gross) Income

Sample Format for Computing Census Long Form Annual Income

Name: Daniel and Anabel Ming			Identification No.:			
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
Daniel	\$22,880		\$400			
Anabel	\$12,000					
1. Totals	a. \$34,880	b.	c. \$400	d.	e.	f.
2. Enter total of items from 1a. through 1f. This is Annual Income						2. \$35,280

Sample Format for Computing IRS 1040 Series Adjusted Gross Income

Name: Daniel and Anabel Ming		Identification No.:			
	Family Member				Subtotal (add a-d)
	a. Daniel	b. Anabel	c.	d.	
1. Wages, salaries, tips	\$22,880				\$22,880
2. Taxable interest	\$400				\$400
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received					
6. Business income (or loss)		\$12,000			\$12,000
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities					
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits					
15. Other income					
16. Subtotal (lines 1-15)					\$35,280
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self- employment tax					
21. Self-employed health insurance deduction					
22. Keogh and self-employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony	\$2,400				\$2,400
25. Subtotal (lines 17-24)					\$2,400
26. Subtract line 25 from line 16. This is <i>Adjusted Gross Income</i>					\$32,880

Exhibit 3.18 – Calculating Annual Income Using the Three Allowable Definitions – Example

Section 8 Annual Income	
1. Gross amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses.	\$22,880
2. Net income from operation of a business or profession.	12,000
3. Interest, dividends, and other net income from real or personal property. Requires asset calculation.	400
4. Full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits.	
5. Payments in lieu of earnings (unemployment, disability compensation, worker's compensation and severance pay).	
6. Welfare or other need based payments to families or individuals.	
7. Periodic and determinable allowances (alimony, child support payments, regular contributions or gifts).	
8. Regular pay, special pay and allowances of a member of the Armed Forces.	
Total	\$35,280
Census Long Form Annual Income	
1. Gross amount of wages, salaries, commissions, bonuses or tips from all jobs.	\$22,880
2. Net income from self-employment from non-farm business, including proprietorship and partnership.	12,000
3. Net income from farm self-employment, including earnings as sharecropper or tenant farmer.	400
4. Interest, dividends, net rental income, royalty income or income from estates or trusts.	
5. Social security or railroad retirement.	
6. Supplemental Security Income (SSI), Temporary Assistance to Needy Families (TANF) or other public assistance or public welfare payments.	
7. Retirement, survivor or disability pensions.	
8. Any other sources of income received regularly, including Veterans' (VA) payments, unemployment compensation, child support or alimony.	
Total	\$35,280
IRS 1040 Adjusted Gross Income	
1. Wages, salaries, tips, etc.	\$22,880
2. Taxable interest.	400
3. Dividend income.	
4. Taxable refunds, credits, or offsets of state and local income taxes.	
5. Alimony received.	
6. Business income (or loss).	12,000
7. Capital gain (or loss).	
8. Other gains (or losses)	
9. Taxable amount of individual retirement account (IRA) distributions.	
10. Taxable amount of pensions and annuities.	
11. Rental real estate, royalties, partnerships, S corporations, trust, etc.	
12. Farm income (or loss).	
13. Unemployment compensation.	
14. Taxable amount of Social Security benefits.	
15. Other income.	
Subtotal A (Add 1–15)	\$35,280

Chapter Three – Calculating Annual (Gross) Income

IRS 1040 Adjusted Gross Income	
Subtractions	
16. IRA deduction (head of household and spouse).	
17. Medical savings account deduction.	
18. Moving expenses.	
19. One-half of self-employment tax.	
20. Self-employed health insurance deduction.	
21. Keogh and self-employed SEP and SIMPLE plans.	
22. Penalty on early withdrawal of savings.	
23. Paid alimony.	2,400
<i>Subtotal B (Add 16 – 23)</i>	2,400
Subtract subtotal B from subtotal A. This is the Total :	\$32,880

Explanation

The Mings are not eligible for HOME assistance using the Part 5 and Census Long Form definitions of annual income. Using these two definitions, the Mings income is \$35,280, which exceeds the Low-Income Limit for a family of three of \$34,500.

The Mings are eligible, however, using the IRS 1040 Form definition of adjusted gross income. Using the IRS definition, which allows for the subtraction of alimony paid, the Mings have an income of \$ 32,880. This is below the Low-Income Limit for a family of three of \$34,500.

Exhibit 3.19 – Calculating Annual Income Using the Three Allowable Definitions – Example

Family Members	Position in Family	Age	Income Sources
Samantha Johnson	Head	36	Samantha earns a salary of \$30,000 per year as an administrative assistant. Samantha receives \$500 per month as child support for her sons Eric and Andrew.
Barbara Johnson	Mother	66	Barbara receives a pension check of \$200 per month and Social Security of \$600 per month.
Eric Johnson	Son	12	None
Andrew Johnson	Son	14	None

Their Assets

- Samantha has a savings account with a \$2,500 balance. The annual interest rate is 3.5%.
- Barbara's sister Helen recently passed away and left her home to Barbara. The home is valued at \$50,000 and has a mortgage balance of \$8,000. The average cost of settlement and real estate transfers equals 8% of the value of the property.

Additional Information

- Barbara does not plan to sell the house she inherited in the near future because she wants to allow her other sister Martha and her husband to live in the home (rent-free).

Under the HOME Program, the Income Limit for a family of four in the jurisdiction is \$45,000. Is the Johnson family eligible for HOME assistance under each of three definitions of income?

Sample Format for Computing Part 5 Annual Income

1. Name: Samantha Johnson		2. Identification			
ASSETS					
Family Member	Asset Description	Current Cash Value of Assets		Actual Income from Assets	
Samantha	Savings Account	\$2,500		\$88	
Barbara	House	\$38,000		\$0	
3. Net Cash Value of Assets.....		3. \$40,500			
4. Total Actual Income from Assets.....		4. \$88		4. \$88	
5. If line 3 is greater than \$5,000, multiply line by .02 (Passbook Rate) and enter results here; otherwise, leave blank.		5. \$810		5. \$810	
ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Samantha	\$30,000			\$6,000	Enter the greater of lines 4 or 5 from above in e.
Barbara		\$9,600			
6. Totals	a. \$30,000	b. \$9,600	c.	d. \$6,000	e. \$810
7. Enter total of items from 6a. through 6e. This is Annual Income					7. \$46,410

Sample Format for Computing Census Long Form Annual Income

Name: Samantha Johnson				Identification No.:		
ANTICIPATED ANNUAL INCOME						
Family Member	a. Wages/ Salaries	b. Business Income	c. Interest/ Dividends	d. Benefits/ Pensions	e. Public Assistance	f. Other Income
Samantha	\$30,000		\$88			\$6,000
Barbara				\$9,600		
1. Totals	a. \$30,000	b.	c. \$88	d. \$9,600	e.	f. \$6,000
2. Enter total of items from 1a. through 1f. This is <i>Annual Income</i>						2. \$45,688

Sample Format for Computing IRS 1040 Series Adjusted Gross Income

Name: Samantha Johnson				Identification No.:	
	Family Member				Subtotal (add a-d)
	a. Samantha	b. Barbara	c.	d.	
1. Wages, salaries, tips	\$30,000				\$30,000
2. Taxable interest	\$88				\$88
3. Dividend income					
4. Taxable refunds/ credits/offsets of state/ local income taxes					
5. Alimony received					
6. Business income (or loss)					
7. Capital gain (or loss)					
8. Other gains (or losses)					
9. Taxable amount of IRA distributions					
10. Taxable amount of pensions and annuities		\$2,400			\$2,400
11. Rental real estate, royalties, partnerships, trusts, etc.					
12. Farm income (or loss)					
13. Unemployment compensation					
14. Taxable amount of Social Security benefits		\$7,200			\$7,200
15. Other income					
16. Subtotal (lines 1-15)					\$39,688
17. IRA deduction					
18. Medical savings account deduction					
19. Moving expenses					
20. One-half of self- employment tax					
21. Self-employed health insurance deduction					
22. Keogh and self- employed SEP and SIMPLE plans					
23. Penalty on early withdrawal of savings					
24. Paid alimony					
25. Subtotal (lines 17-24)					\$0
26. Subtract line 25 from line 16. This is <i>Adjusted Gross Income</i>					\$39,688